IDB

Islamic Development Bank Group

Islamic Development Bank Supporting Small & Medium size Enterprises

Investment and Trade Forum- Growing Business in Jordan – June 18, 2006

Sadiq Muhammad-ICIEC

Presentation Outline

Overview of Islamic Development Bank Group

IDB Group's approach for supporting SMEs

Financing

Capacity Building

Networking

Conclusion

IDB

Islamic Development Bank Group

Islamic Development Bank Group

- **Legal Status:**
  - Multilateral Developmental Finance Institution
- **Authorized Capital:**
  - USD 45 Billion
- **Subscribed Capital:**
  - USD 22.5 Billion
- **Ownership:**
  - 56 Member Countries of the Organization for Islamic Conference (OIC)
- **Rating:**
  - ‘AAA’ (Standard & Poor’s)

Islamic Development Bank Group

- **Vision:** To be the leader in fostering social and economic development of it's member countries and Muslim communities world-wide in conformity with Shariah.

- **Mission:** Alleviating poverty; promoting human development; science and technology; Islamic economics; banking and finance; and enhancing cooperation amongst member countries, in collaboration with development partners.

- **Services:** Public finance, project finance, trade finance, technical assistance, special assistance, Islamic Banks Portfolio, Unit Investment Fund, Infrastructure Fund, & Scholarships.

IDB Group

Islamic Research & Training Inst (IRTI). 1981

Islamic Corp. for Dev. Private Sector (ICD) 1999

Islamic Development Bank (IDB) 1975

Islamic Corp. For Insurance of Inv. &Export (ICIEC) 1994

Islamic Trade Finance Corporation (ITFC) 2006

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IDB Group Experience

- **IDB Group net financing** until 1425H US$38.3 billion
  - 37% of above financing for projects and 61% for trade
- **IDB Group financing** in 1425H US$4.9 billion
  - 94 project finance operations
  - 142 trade finance operations
  - 55 TA operations
- **IDB Group Initiatives for SMEs:**
  - 17 Seminars / Conferences
  - 27 Training Courses
  - 5 Expert Missions
  - 4 Capacity building of specialized agencies, including ICCI

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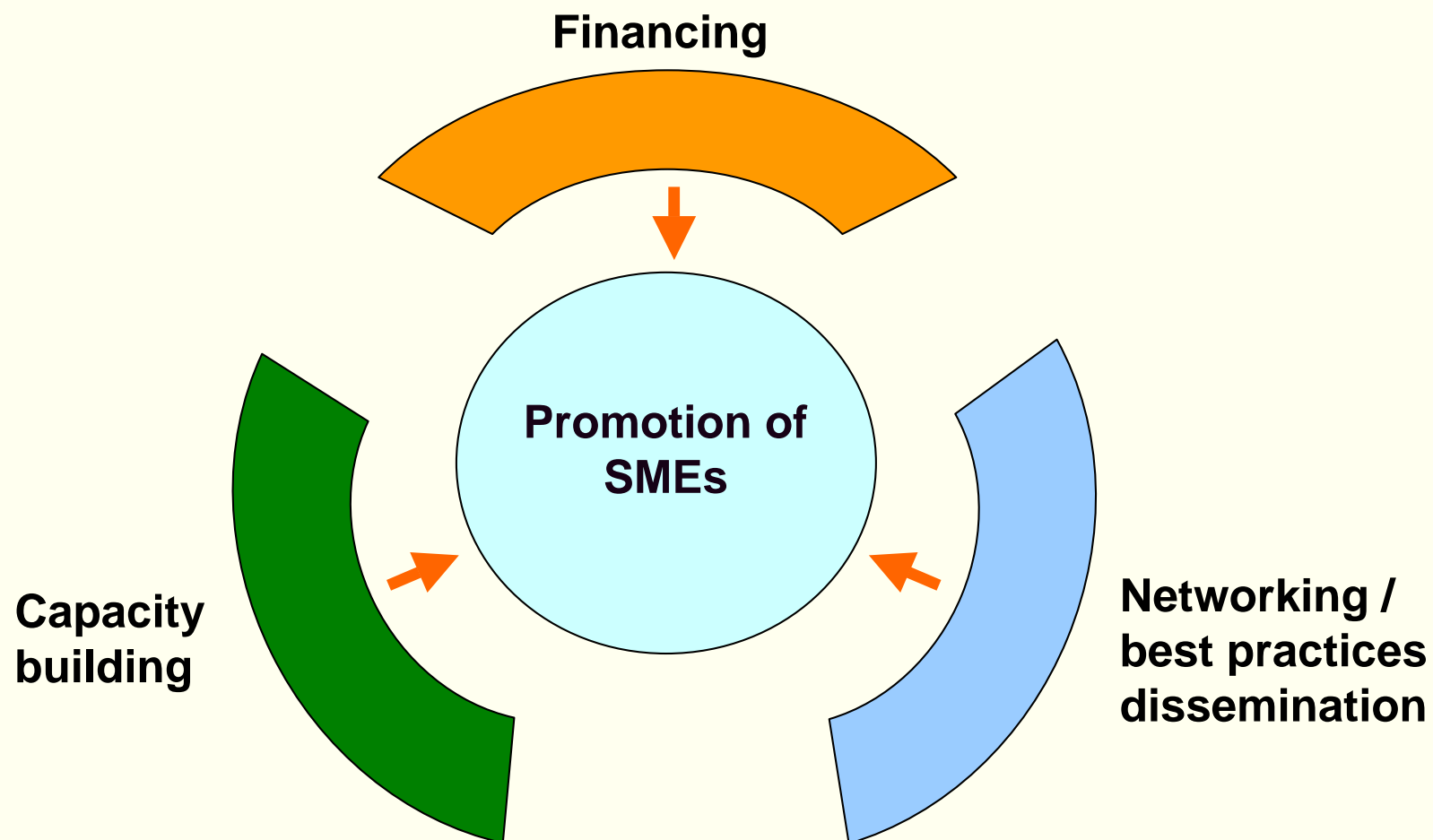
Group's approach for supporting SMEs

Financing

Promotion of SMEs

Capacity building

Networking / best practices dissemination

ICD

Overview

- **Vision:** To be a major player in the development and promotion of the private sector as a vehicle for economic and social growth and prosperity in Islamic countries
- **Services:** Direct Financing, Structured Finance, Advisory Services, Asset Management, Syndications
- **Capital:** US$1 billion
- **Activities:** Financed **67 private sector projects** via equity or term financing through Islamic modes of finance & Lines of Finance in various sectors in 7 countries.

ICD

Products & Services

- **Direct Financing**
  - Structured Finance
  - Syndications
    - Short term & Long term
- **Equity Participation**
- **Advisory Services**
  - Government, Public and Private Sector
- **Asset Management**
  - Acts as Manager of funds (Mudarib)

ICD

Products & Services

- **Equity Investments:**
  - Maximum participation: 33% of investee's capital.
  - Clear exit strategy within 5-7 Years.
  - Equity projects should not have more than 30% interest bearing debt.
- **Term financing:**
  - For "Greenfield" projects: 40% of project investment cost.
  - For expansion of existing projects: 50% of project investment cost.
  - Tenure: up to 8 years including Grace/Gestation period.
  - Minimum project size: US$ 5m. (Except for projects financed from lines)
  - Minimum Financing per project : USD2.0m

ICD

Products & Services

- **Corporate Finance:**
  - For short-term finance and working capital requirements.
  - Tenor: up to 2 years.
  - Minimum Financing requirement: USD 1.0m

ICD

Investment Guidelines

- **Company Eligibility:**
  - Promising private sector projects introduced by experienced entrepreneurs or promoters.
  - Public sector enterprises under privatization .

- **Eligible enterprises should have:**
  - majority voting stock in the hands of private investors, from member countries.
  - an appreciable contribution to the local economy or intra-regional trade.

ICIEC

Overview

- **Vision:** To enlarge the scope of trade transactions and investment flows among member countries
- **Services:** Sharia compliant insurance for exports & investment against commercial and political risks
- **Capital:** US$140 Million
- **Activities:** Insured in excess of US$700 million, protecting exporters & mitigating their risks enabling member country SME’s to buy on credit, raise more finance as insurance policy assignable

Why Export Credit Insurance (ECI) for SME?

- **Receivable Risk Mitigation.**
  - Exporter’s Balance Sheet is Secured.
- **Ability to expand into New Markets.**
- **ECI of Receivables- could be a source of financing.**

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ICIEC

ICIEC Products & Services

Export Credit Insurance

Exporters

Protects Exporters against Risk of Non-payment of Receivables

Banks

Risk Management Tool
Enhances the Risk Capacity for Banks

Foreign Investment Insurance

Facilitates Foreign Direct Investment
By Protecting Investors against Country Risk

ICIEC

Requesting Open Account Terms – No ILC

Marks & Spencer, UK

Sale Contract on open a/c

Goods

Customer is requesting Murabaha Financing from Bank

Export Customer, Jordan

Bank Islamic Unit

ICIEC provides the requested coverage

Islamic Bk. requests Coverage from ICIEC against Buyer Default and Country Risks

ICIEC Export Credit Insurance creates financing avenues.

Financing

Lines of Financing

- **Lines of financing extended to NDFIs by the IDB Group:**
    - 31 lines approved by IDB for a total amount of USD 352 million.
    - 7 lines approved by ICD for a total amount of USD 14 million.

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Group's approach for supporting SMEs

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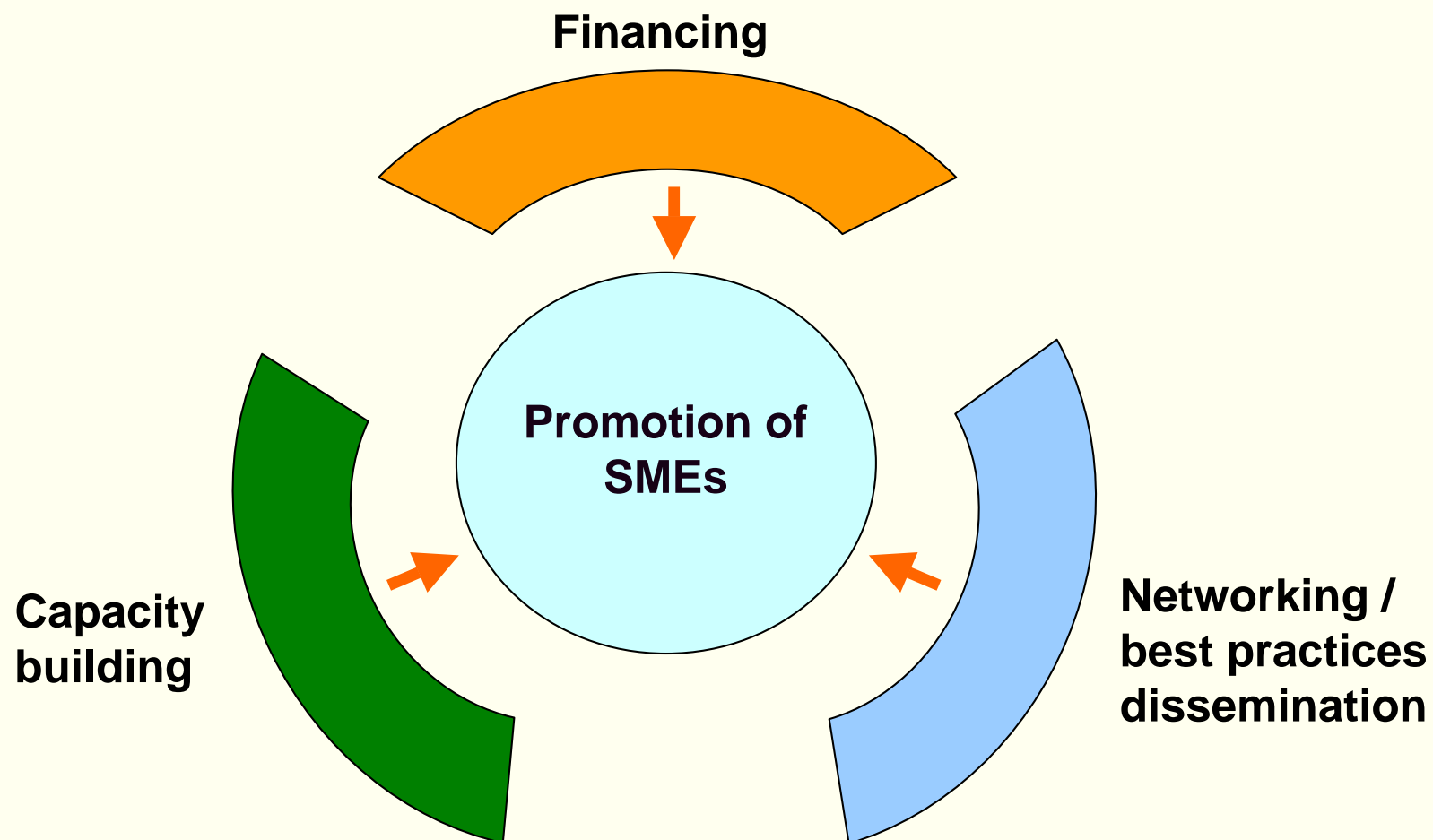
Promotion of SMEs

Capacity building

Networking / best practices dissemination

ITAP

- **Investment Promotion Technical Assistance Program (ITAP):**
  - IDB Group initiative in partnership with MIGA, UNIDO, and MIDA to promote investment in IDB MCs through capacity building.

- **Program Content:**
  - Investment surveys: Identification of investment opportunities and impediments.
  - Policy advice to governments regarding attraction of investors.
  - Preparation of pre-feasibility studies/project promotion material/road shows and business forums.

- **Program Outcome:**
  - Enhancing development of local entrepreneurship and enterprises.
  - Encouraging foreign direct investment (FDI).

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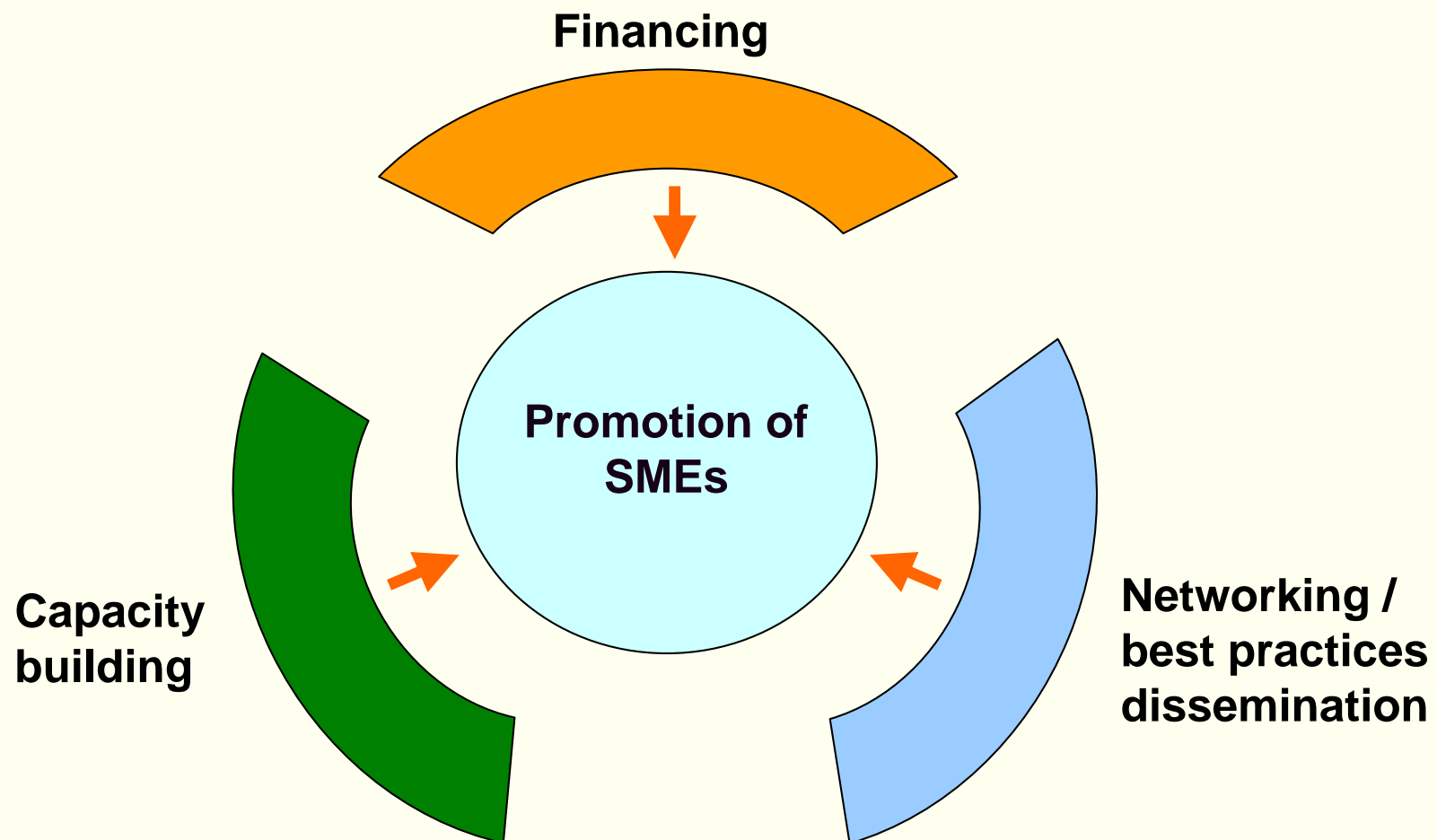
IRTI

- **Vision:** To undertake research and provide training and information services and to disseminate Islamic banking and finance knowledge

- **Services:** Publishing research papers, periodicals, books on Islamic Finance and related issues such as accounting and regulatory frameworks and providing scholarships to meritorious students

IDB Group

- **Capacity building:** in the field of project preparation and management and practicing Islamic modes of financing.

- **Networking:** among all institutions providing support to SME's through workshops and seminars.

Conclusion

- IDB Group intends to continue support to SME development in member countries via:
- Direct and Indirect Financing;
- Supports SME's through Export Credit Insurance/FII.
- Assisting the creation of an enabling environment for SMEs in member countries;
- Participation in collective efforts to create awareness and promote SME development factors.

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Thank You

For Your Attention